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Tomatoes and Products

Annual

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Report Highlights:

MY2002 tomato paste production was increased to 265,000 MT and MY2003 production is forecast to exceed this level to reach 275,000 MT. An improvement in world prices and low domestic stocks supported the rebound in production.

Turkish tomato paste exports during the first half of the MY2002 reached 80,260 MT. Japan, Russia and Saudi Arabia continue to be the leading export markets.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Unusually rainy weather during the month of April reportedly adversely affected industrial tomato planting and may delay harvesting for a week or two. The planting in the Marmara region is expected to remain the same as last year but in the Aegean region, farmers who are in search of an alternative crop to tobacco and sugar beets are reportedly planting increasing amounts of industrial tomatoes. Overall industrial tomato planting in MY2003 is expected to be slightly higher than last year. Processors are also willing to increase production to take advantage of recent increases in world paste prices and low domestic stocks. MY2003 production of tomato paste is estimated to be at about 275,000 MT up slightly from 265,000 MT in MY2002.

Available data indicate that Turkish tomato paste exports during the first half of MY2002 are 80,260 MT. Russia (10,496 MT), Saudi Arabia (10,195 MT) and Japan (9,903 MT) were the leading export destinations. MY2002 Turkish tomato paste exports are expected to be about 155,000 MT which is a recovery after exports of only 117,831 MT in MY2001. MY2003 exports are forecast to increase again to 160,000MT.

Stocks are recovering while domestic production is gradually increasing. MY2002 stocks are estimated to be about 7,790MT and MY2003 year-end stocks will approach 13,000 MT. Domestic retail prices for processed tomato products increased about twenty-two percent during the last twelve months despite thirty percent the annual inflation.

The EU continues to suspend Turkey's 30,000 MT duty-free tomato paste export quota due to Turkey's refusal to honor its meat import obligation. In absence of a resolution, all Turkish tomato paste exports to the EU are subject to the 14.4 percent import tax.

Production

Tomatoes are grown throughout Turkey but the bulk of production is concentrated in the Marmara region (western Turkey) and the Aegean region (southwestern Turkey) where climatic conditions are nearly ideal. Increasing amounts of tomatoes are produced in greenhouses in southern Turkey for fresh consumption in urban areas during the winter and early spring. Also, research is continuing to find a suitable variety of industrial tomato which can resist extreme hot weather in summers at Southeastern Anatolia to take advantage of the massive irrigation project in the region.

Industry observers unofficially forecast total MY2003 tomato production about 7.5 MMT - a significant increase over total production last year. Tomatoes produced for processing comprise about twenty-five percent of Turkey's total production. Processing tomatoes are grown mainly in the township of Balikesir and Canakkale of the Marmara region; Bergama and Turgutlu of the Aegean region; and increasingly in Tokat of Central Anatolia where the processing industry is located.

Tomato production is labor intensive and the bulk of production occurs on small, family farms. Most planting continues to be done by hand. In both regions, seedlings are started around mid-March and are transplanted after the danger of frost has passed - generally after mid-to-late April. Harvest of early varieties (of industrial tomatoes) begins in late July, with the peak harvest occurring in mid-August. Growers generally begin to pick the crop once about half of a field is ripe. Since all harvesting is done by hand, three or four pickings are possible. Depending on the weather, handpicking can extend the harvest until early October. About 80% of the processing tomato crop is grown under commercial contracts, mainly with the larger tomato processors. The remaining 20% of the crop is grown independently to supply the smaller processors, as well as to supply the

home processing market.

PSD Table						
Country	Turkey					
Commodity	Tom. Paste,28-30% TSS Basis				(MT)(MT, Net Weight)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		09/2001		09/2002		09/2003
Deliv. To Processors	1100000	1200000	1350000	1700000	0	1850000
Beginning Stocks	38121	38121	3121	5290	5621	7790
Production	170000	185000	220000	265000	0	275000
Imports	0	0	0	0	0	0
TOTAL SUPPLY	208121	223121	223121	270290	5621	282790
Exports	100000	117831	110000	155000	0	160000
Domestic Consumption	105000	100000	107500	107500	0	110000
Ending Stocks	3121	5290	5621	7790	0	12790
TOTAL DISTRIBUTION	208121	223121	223121	270290	0	282790

Consumption

About 75 percent of Turkey's total tomato production is consumed fresh and the remainder is processed. Of the 25 percent of the crop that is processed, about 85 percent is used to produce tomato paste, 10 percent is utilized for canned tomatoes, and the remainder is used for catsup, tomato juice, dried tomatoes and other products. Total (nominal) tomato paste production capacity is estimated at about 450,000 MT, assuming three shifts and a 60-day harvest.

Currently, there are about 40 firms in the industry. Six or seven large firms (with average annual tomato paste production of 15,000 to 20,000 MT) account for about 70 percent of total tomato paste production. Most of the large firms can process 2,000 to 3,000 MT of tomatoes daily. The industrial product yield (tomatoes to paste) is reported at about 6 kilograms of tomatoes to 1 kilograms of paste.

Commercial tomato paste production for MY2003 is projected to be about 275,000 MT representing a minor increase from last year. Low domestic stocks and increasing world prices are fueling the forecast increase in production. Turkish paste production was higher in the late nineties at about 320,000 MT but competition of newly emerging producers (China and Iran) has hurt exports and discouraged farmers. In addition to commercial production, about 5,000 MT of tomato paste estimated to be produced at home.

Industry sources indicate that in recent years canned diced tomato production of Turkey is increasing. In MY2003 diced tomato production is expected to reach 20,000 MT.

Trade

Available data indicates that Turkey has exported a total of 80,260 MT paste during the first half of the MY2002 compared to 67,272 MT exports for the same period a year ago. Over all year-end exports are also expected to be higher, about 155,000MT, compared to 117,831MT last year.

The Turkish tomato paste industry is very dependent on exports. In recent years, exports to traditional markets, particularly Algeria and Libya have declined sharply as a result of political and economical problems in the importing countries. To compensate for the loss of these markets, the Turkish industry turned to quality markets, particularly Japan and eastern European countries. Japan continues to be one of Turkey's leading export destinations. Russia and Romania have emerged as price sensitive markets for Turkish paste.

Turkey was facing increasing competition by China in the Far East but recent developments regarding the SARS outbreak is expected to increase Turkish exports to the region.

The EU is not allowing Turkey to utilize its 30,000 MT duty-free tomato paste export quota due to Turkey's refusal to accept meat imports from the EU. All imports are currently subject to a 14.4 percent tariff.

Turkey also reportedly exports the great majority of its annual 20,000 MT diced tomato production. The EU is the leading importer. The EU allows Turkey to utilize a 8,500 MT tariff rate quota of diced tomato but exports above the quota are subject to 14.4 percent duty.

Industry and trade representatives indicate that the current local price for export quality tomato paste is about USD 750-840 per MT which is twenty percent higher than last year's opening season prices. Turkish diced tomato export prices are also up, at about USD 400-450 per ton.

Export Trade Matrix			
Country	Turkey		
Commodity	Tom. Paste,28-30% TSS Basis		
Time period	MY2002	Units:	Metric tons
Exports for:	Sept/Feb		1
U.S.	666	U.S.	
Others		Others	
Russia	10496		
S.Arabia	10195		
Japan	9903		
Germany	5275		
U.A.E.	3482		
Taiwan	2888		
Malaysia	2818		
Romania	2741		
Kuwait	2495		
Georgia	1868		
Total for Others	52161		0
Others not Listed	27433		
Grand Total	80260		0

Stocks

There are no official statistics on tomato and tomato products production and stocks. Stock figures in this report are calculated as a residual from the other factors and include all products in all parts of the distribution network. Industry sources confirm the MY2002 year-end stocks to be about 8,000 MT which is lower than historical levels. Increased production is expected to increase stocks as well to about 13,000 MT at the end of MY2003. Most of the stocks are reported to be in cans and suitable to be consumed in the local market or in border trade.

Policy

The Agricultural Bank of Turkey is no longer able to provide subsidized loans to agricultural producers and the government does not support prices or otherwise assist tomato production. All production and domestic marketing are handled by the private sector. The GOT indirectly supports tomato paste exports by USD \$65 per ton as a form of tax deduction. If the tomato paste is produced under a contract with farmers, an additional 40 percent (USD \$26) is added to the support of which 32 percent of it is given to the farmers and 8 percent to the processors.

According to the 2003 import regime tomato paste imports are subject to 141.9 percent customs tax, effectively closing the market to imports.

Prices

Because of Turkey's high inflation (between 30 to 120 percent each year during the last ten years) and currency fluctuations, price information in nominal terms is not very meaningful and is difficult to calculate in real terms. Under commercial contracts, processors supply inputs and agree to buy all production that meets specifications at a set price. However, since the contract price is lower than the prevailing market price (because the value of the supplied inputs is deducted) diversion of production to non-contracting processors or to the fresh market is prevalent.

For MY2003 processors reportedly expect to sign production contracts for TL100,000 (USD \$0.07) per kilogram for industrial tomatoes representing twenty-five percent increase from the MY2002 contracting price of TL 80,000 per kilogram delivered to the factory. Growers are reported to be somewhat happy with contract prices.

Canned tomato paste currently retails for about TL2,200,000 per kilogram (USD \$1.47) compared to TL1,800,000 last year, despite the thirty-five percent annual inflation, due to slow domestic sales.

USD \$1=TL 1,500,000